



COMPARISON OF PROFIT/LOSS OF KERALA STATE TRANSPORT CORPORATION WITH OTHER PUBLIC SECTOR UNDERTAKINGS OF KERALA

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ABSTRACT

Kerala State Road Transport Corporation is a public utility service undertaking and hence a comparison of its financial performance with financial performance of other public utility service enterprises such as Kerala State Electricity Board, Kerala Water Authority, and Kerala State Housing Board is analysed. A period of twenty two years from 1990-91 to 2011-12 was considered for the study. A regression analysis was made on the determinants to estimate the conditional expectation of the net profit /loss made by the Corporation over the years (dependent variable) and the determinants of loss over the years (the independent variables). On analysis it was found that the determinants of the variables are 92.87 per cent. On comparing the financial performance of the KSRTC with other state PSUs, it was found that the loss made by the KSRTC was higher than the other State Public Undertakings. Among the other public sector enterprises like Kerala State Electricity Board (KSEB), Kerala Water Authority (KWA) and Kerala State Housing Board (KSHB), the KSEB showed a better performance throughout the period of analysis. The t-test indicates that loss made by KSRTC is higher than other State Public Sector Undertakings (KSEB, KWA, KSHB). Correlation analysis shows that the loss made by KSRTC is inversely related to KSEB and directly related to KWA and KSHB.

INRODUCTION:

Public transport presents an interesting situation where the primary objective is that of public service on a self-sustaining basis. With the view to provide affordable, safe and reliable bus service to people both in rural and urban areas, the Road Transport Act was promulgated in 1950. This enabled the State and Central Government to form Road Transport Corporation.

This paper examines the profit or loss made by Kerala State Road Transport Corporation (KSRTC) and the comparison of its performance with other public sector undertakings of Kerala.

The main determinants of the continuous loss of KSRTC are raw materials consumed, personnel expenses, age of fleet, interest and bank charges and the total staff of the Organisation. A regression analysis was made on these determinants to estimate the conditional expectation of the net profit /loss made by the Corporation over the years (dependent variable) and the determinants of loss over the years (the independent variables).

On analysis it was found that the determinants of the variables are 92.87 per cent. It means that the proportion of variation in the dependent variable y is explained by the independent variable X by 93 per cent approximately.

Table 1

The regression coefficient of estimated model for net profit/loss on selected major indicators

	B	Std. Error	Significant level	r^2
Net Profit/Loss	23305.562	12835.565	0.097	0.929
Purchase and raw materials consumed	0.060	0.138	0.671	
Personnel Expenses (Salary)	-0.281	0.131	0.056	
Age above 10 years	-4.576	3.352	0.199	
Age between 7 to 10 years	-4.131	4.045	0.329	
Age between 7 to 5 years	-2.978	3.851	0.456	
Age below 5 years	1.584	2.612	0.556	
Interest and bank charges	0.775	1.051	0.477	
Total Staff	-0.218	0.225	0.354	
Dependent Variable: Net profit / Loss				

The 92.9 per cent variation in Net Profit or loss can be explained by using the independent variables. For eliminating the insignificant variables the backward selection method is used and all except personnel expenses was considered which comes to 89.5 per cent.

Table 2
Significant level of independent variables

	B	Significant level	r ²
Net Profit/Loss	1142.667	0.211	0.895
Personnel Expenses	-0.346	0.000	

$$NPL = 1142.667 - 0.346PE$$

Net profit or loss made by the Corporation can be estimated by using the above explained formulae.

Comparison of Financial Performance of KSRTC with other State Public Sector Undertakings

Financial analysis (also referred to as financial statement analysis or accounting analysis or Analysis of finance) refers to an assessment of the viability, stability and profitability of a business. Kerala State Road Transport Corporation is a public utility service undertaking. A public utility is an organization that maintains the infrastructure for a public service (often also providing a service using that infrastructure). Public utilities are subject to forms of public control and regulation ranging from local community-based groups to state-wide government monopolies. The term utilities can also refer to the set of services provided by these organizations consumed by the public. Since KSRTC comes under the public service enterprise a comparison of its financial performance with financial performance of other public utility service enterprises such as Kerala State Electricity Board, Kerala Water Authority, and Kerala State Housing Board is studied.

Table 3**Comparison of Net Profit /Loss of KSRTC with other PSUs**

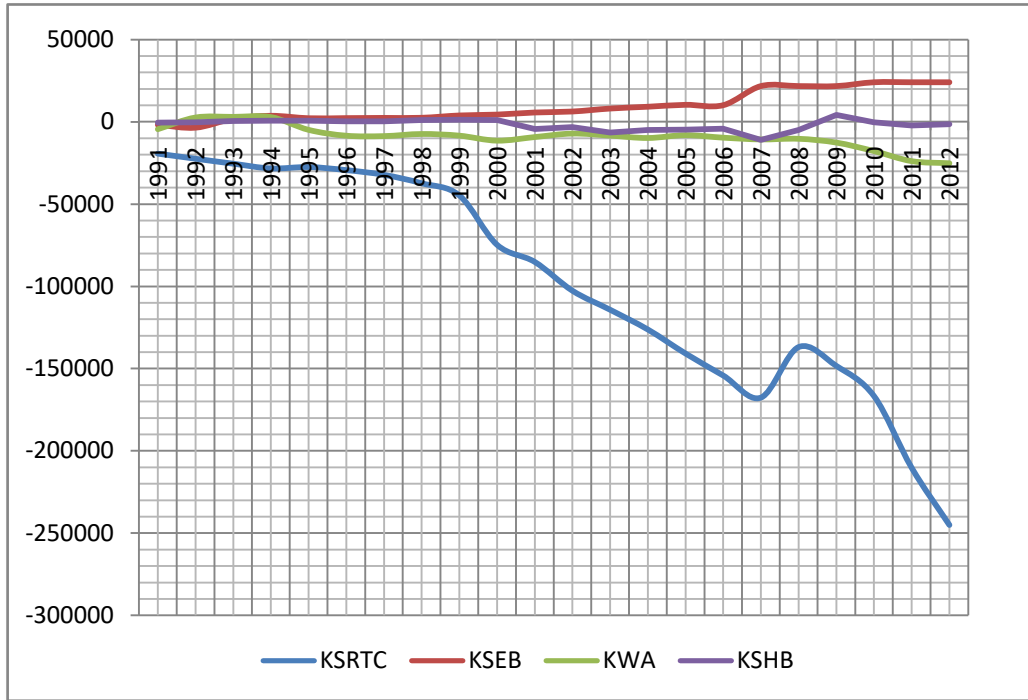
Sl. No. (1)	Year (2)	KSRTC (3)	KSEB (4)	KWA (5)	KSHB (6)
1	1991	-19376	-1831.84	-4453	-623.65
2	1992	-22455	-3569.07	2654.69	-441.97
3	1993	-25466	1841.89	3043.59	434.04
4	1994	-28347	3672.27	2919.39	646.13
5	1995	-27505	2187.85	-4856	620
6	1996	-29374	2257.12	-8426	147.36
7	1997	-32246	2399.34	-8654	243.57
8	1998	-37376	2461.66	-7374	1003.13
9	1999	-44783	3875.19	-8388	1269.96
10	2000	-74756	4412.7	-11433	1040.35
11	2001	-85151	5671.98	-9254	-4416.46
12	2002	-102670	6283.01	-7124	-3248.67
13	2003	-114240	8077.82	-8362	-6645.88
14	2004	-126236	9182.49	-9813	-5017.78
15	2005	-140824	10349.39	-8075	-4861.2
16	2006	-154191	10125.65	-9618	-4159.04
17	2007	-167591	21742	-10693	-10998.1
18	2008	-136889	21742	-10296.7	-5046.56
19	2009	-148331	21742	-12604.67	4088.17
20	2010	-166695	24071.48	-17787.79	-355.06
21	2011	210288	24071.50	-23918.23	-2274.47
22	2012	245011	24071.50	-25199.06	-1530.70

Source: A review of public enterprises in Kerala 1991-2012, Bureau of Public Enterprises, Government of Kerala

KSRTC never made a profit during the period of analysis. Among the other Public Sector enterprises like KSEB, KWA, KSHB considered for study the KSEB showed a better performance when compared with Kerala Water Authority and Kerala State Housing Board. The loss of other PSUs is comparatively low when compared to that of KSRTC.

Figure 1

Comparison of financial performance of KSRTC with other PSUs



The figure shows that the Corporation is making a continuous loss during the period under study. Even though the other public sector undertakings do not earn profit in all the years under the study, the loss they make is negligible when compared to that of KSRTC. Also, in the case of KSEB till 2000, they go in a continuous manner of no profit no loss and after 2000 it began to make profit in a noticeable manner. In the case of KWA and KSHB, even though they made a loss in the major periods under study, the KSHB was recovering from loss and started making profit during the final stages of study. It can be emphatically stated that if the travel concessions due for the Corporation might had been reimbursed by the State Government, the Corporation would not have incurred so much loss as shown in the figure.

Table 4

Comparison of profit/Loss of KSRTC with that of other PSUs

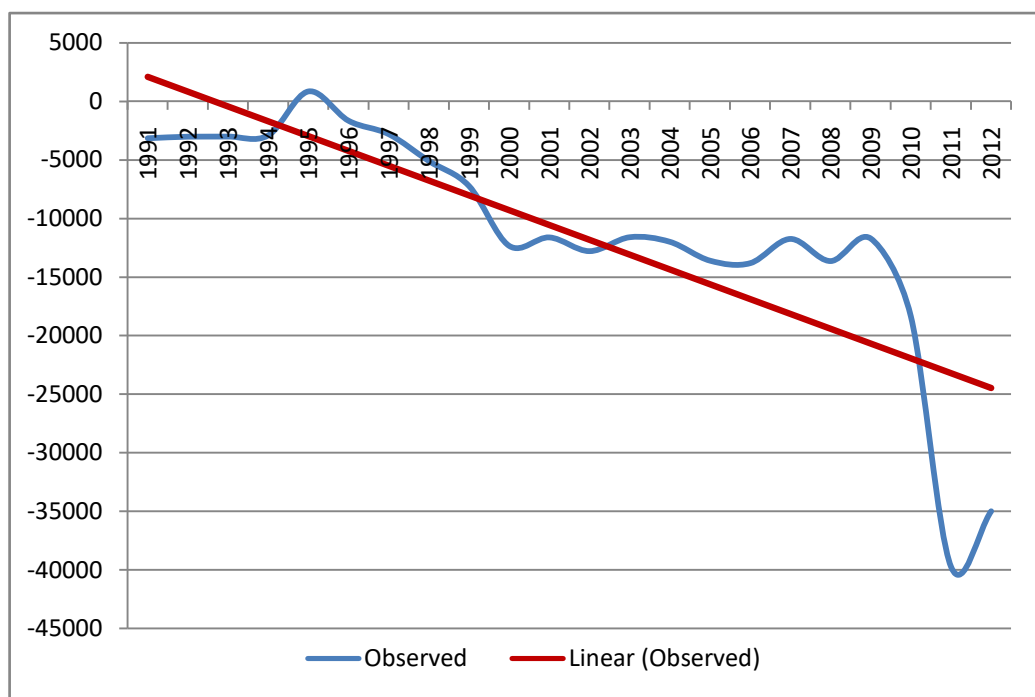
	KSRTC	KSEB	KWA	KSHB
Mean	-55872.9	9310.815	-8986.9	-1823.95
t-value		2.804	2.020	2.332
Sig		0.000	0.050	0.027
r		0.073	-0.370	0.278
Sig.		0.748	0.090	0.210

The t-test indicates that loss made by KSRTC is higher than the other State Public Sector Undertakings (KSEB, KWA, KSHB). Correlation analysis showed that the loss made by KSRTC was inversely related to KSEB and directly related to KWA and KSHB.

A financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time - usually a fiscal quarter or year. These records provide information that shows the ability of a company to generate profit by increasing revenue and reducing costs. The P&L statement is also known as a "statement of profit and loss", an "income statement" or an "income and expense statement". In order to verify the performance of the KSRTC an analysis of the profit and loss account is attempted here.

Figure 2

Actual and linear trend of profit/loss of KSRTC from 1991-2012



Since the R Square of the regression equation is 0.680, the predictability of the regression equation is 68.0per cent. The estimated average loss during the period of study could be estimated from the constant value namely 2520230. The annual increase of loss was found to be -1264.76 which is the co-efficient of the predictor variable *Year*.

$$Loss = 2520230 - 1264.76 \times Year$$

Since the regression coefficient of *year* is negative, the loss incurred by the KSRTC has an increasing trend during the study period. Thus it is evident that the present formulae can predict present and future performance of KSRTC in a reasonable manner.

In planning and decision making process the present formulae can be used with an accuracy of 79.7 per cent for future estimation. The public media the present formulae is more useful for the estimation of future losses of KSRTC without engaging in an in-depth study. The estimation is more useful to the general public who are directly related in the service offered by the Corporation. The employees as well as their families can make the present formulae useful for the estimation of the performance of the Corporation to the long future. Also in the study made on the employees of the KSRTC, it was found that the employees do not stick on to the Corporation mostly because of the low salary when compared to the other Public Sector Enterprise. The effect of lack of specialised knowledge for the new entrant, can be minimised to an extent and thereby protect them from severe socio-economic damage. Similarly students and research scholars can use the present formulae in nearly scientific manner. In short, the present formulae can be used by those who are speculating over the future of the KSRTC.

Conclusion

An attempt was made to compare the performance of KSRTC with other Public Sector Undertakings. A regression analysis was also made to find out the determinants of the poor performance of KSRTC.

On comparing the financial performance of the KSRTC with other state PSUs, it was found that the loss made by the KSRTC was higher than the other State Public Undertakings.

i. Among the other public sector enterprises like Kerala State Electricity Board (KSEB), Kerala Water Authority (KWA) and Kerala State Housing Board (KSHB), the KSEB showed a better performance throughout the period of analysis.

ii. The t-test indicates that loss made by KSRTC is higher than other State Public Sector Undertakings (KSEB, KWA, KSHB). Correlation analysis shows that the loss made by KSRTC is inversely related to KSEB and directly related to KWA and KSHB.

The Corporation is the highest loss making enterprise among the all other Public Sector Undertakings in Kerala. A comparison was done between the KSEB, KWA and KSHB and even though they were not making loss throughout the period of study their performance was satisfactory and the loss made by them was negligible.

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